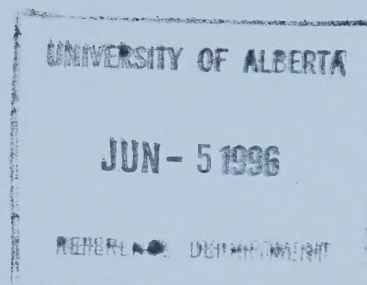


AR71

SoftRock *Petroleums Ltd.*

Winspear Business Reference Room
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6



1995 Annual Report
Greenland

Corporate Profile

Softrock is an emerging mineral exploration, development and production company encompassing both hydrocarbons and non-hydrocarbon minerals. Softrock has its corporate office in Calgary, Alberta, Canada. Its common shares are listed for trading on the Alberta Stock Exchange (symbol "STZ")

Corporate Strategy

- * generate oil and gas prospects primarily in the Western Canada Sedimentary Basin
- * encourage other companies to participate in the Corporation's exploration and drilling activities while maintaining substantial working interests
- * identify and acquire oil/gas properties generating immediate cash flow and with up-side potential for further development drilling
- * continue exploring for minerals within Canada and elsewhere

Annual Meeting

Shareholders are invited to attend the Annual General Meeting of the Shareholders of SoftRock Petroleum Ltd. to be held in the offices of its Company Solicitors, McLeod & Company, 800, 11012 Macleod Trail S. at Calgary, Alberta, on Thursday, the 27th day of June, 1996 at 11:00 o'clock AM

To The Shareholders:

SoftRock's diversification beginning in June 1995 to explore for "hardrock" minerals as well as for oil and gas continues to increase public awareness. *SoftRock's* shareholders now represent a much broader geographical area. Our toll-free telephone number has encouraged many more Shareholders and other interested persons to communicate with us and ensure that their names are added to our mailing list for timely receipt of current information. We recommend that all Shareholder's do the same. We certainly welcome your calls and I particularly enjoy speaking personally with as many persons as time and other commitments permit.

The "SoftRock Reporter" made its debut in late 1995 as a four-page, gazette style, publication containing newsworthy items of interest to investors evaluating *SoftRock's* potential. Future issues are planned.

A good Board of Directors is always "key to the success of any corporation and *SoftRock* is fortunate in that regard. This is an opportunity to acknowledge three *SoftRock* Directors. First, the Board recently welcomed **Arne Nielsen**, a true giant of industry. Arne's vast geological and corporate experience will fit in perfectly as *SoftRock* reaches higher performance levels.

Hon. Nicholas W. Taylor is to be congratulated for his recent appointment to the Senate of Canada. Nick recently resigned as Liberal Member of the Alberta Legislature for Redwater in order to represent all Albertans in the Senate.

Clifford Chant, brilliant geologist and one of five founding *SoftRock* Directors passed away in Calgary in July 1995 at age 62 while undergoing major heart surgery. Cliff is sorely missed and will always be remembered not only for his excellent geological skills but also for his honest and gentle, but determined nature.

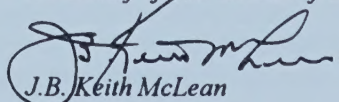
This report highlights *SoftRock's* exclusive Mineral Exploration Licences in south Greenland where *SoftRock* will begin its 1996 exploration program with a helicopter-electromagnetic survey flown by Aerodat, a Mississauga, Ontario based geophysical company operating world-wide. We believe that Greenland has the potential of hosting the next world-class mineral discovery and, by their presence in Greenland, this trio of companies, Diamond Fields, Cominco and Falconbridge, appear to believe similarly. We are really well positioned there.

Exploring for oil and gas in western Canada remains an important part of *SoftRock's* future plans, however, in 1995 drilling was put on temporary hold as the value of gas sales steeply declined to a point where many companies simply shut-in production. Unfortunately, *SoftRock's* better prospects waiting to be drilled were for gas. *SoftRock* needs higher cash flow and continues its search for a good revenue producing property with up-side potential for further development drilling.

SoftRock is investigating the potential of its oil and gas Exploration Permits in Turkey. While we are of the opinion that the general area obviously has great potential for discovery of world-class reserves of oil, high exploration costs coupled with high-risk factors support *SoftRock's* cautious approach.

In closing, I would like to personally thank all Shareholders for their support. By late summer/fall 1996, we hope to be able to report encouraging results generated by our activities in Greenland.

On behalf of The Board Of Directors



J.B. Keith McLean
President and CEO

April, 1996

SOUTHERN GREENLAND

In 1995 *SoftRock* Petroleum Ltd. acquired two Exploration Licences in southern Greenland, the Qaqortoq Licence on the southwest coast, and the Lindenow Licence on the southeast coast.

Licence 23/95 is located in the Qaqortoq area of southwest Greenland and is comprised of four (4) sub-areas with an aggregate area of 349 square kilometers. The location of the licence areas is shown on the map insert. This licence has a five year life scheduled to expire on December 31, 1999 but is renewable for periods of up to an additional eleven (11) years in total.

Licence 24/95 is located on the southeast coast of Greenland and is comprised of three (3) sub-areas with an aggregate area of 1,102 square kilometers. The location of the licence areas is shown on the back cover. This licence is scheduled to expire on December 31, 1997 but may be converted at any time before then to a new normal licence having a five year life with provisions for renewal(s) of up to an additional eleven (11) years in total.

Voisey's Bay echo

The 1994 discovery by Diamond Fields Resources of the large nickel-copper-cobalt deposit at Voisey's Bay in Labrador has had an amazing effect on mineral exploration, not only in Canada, but also in West Greenland. During the Proterozoic, Labrador and western Greenland were part of the same plate.

In 1995, a large number of new exploration licences were granted in West Greenland, including those held by *SoftRock*, as a direct result of the Voisey's Bay discovery (Diamond Fields itself began exploring in West Greenland in 1995).

The Qaqortoq Licence is marginal to intrusive and sedimentary rocks of the Gardar Province, that are similar in age and composition to the host rocks of the Voisey's Bay massive sulphide copper-nickel deposit in Labrador. Therefore the primary target within the Qaqortoq licence is Voisey's Bay-type mineralization. In addition, Sub-area 1 of the Qaqortoq covers a number of arsenic, gold and tungsten stream sediment geochemical anomalies which may be related to bedrock mineralization. Sub-area 4 of the Qaqortoq Licence covers a portion of the Gardar Province as well as a number of ultramafic lamprophyre intrusions which may contain diamonds.

The Lindenow Licence is largely underlain by metasedimentary gneisses. The two larger sub-areas of the Lindenow Licence cover arsenic, gold and tungsten stream sediment geochemical anomalies as well as gossans and sulphide mineralization located and described by the Geological Survey of Greenland. On the basis of the geological setting, this type of mineralization may reasonably be expected to be of the sedimentary-exhalative type.

The exploration program that is planned for both licences in 1996 is comprised of airborne magnetic and electromagnetic surveys followed by ground geological and geophysical surveys in areas determined to be of interest by the airborne surveys.

GREENLAND IN BRIEF

Greenland's mining industry started in 1780 when German miners were employed to extract coal in the Disko Bay area. Some years later, after geologists arrived and began exploring the country, the first metal mine was opened. It was operated by an English company, which recovered copper between 1851-52. A short time later, one of Greenland's most notable commodities, the white mineral cryolite, was discovered and mined in South Greenland.

The Black Angel lead-zinc-silver mine in Maarmorilik near Uummannaq West Greenland, began production in 1973. Located 400 km north of the Arctic circle, it was operated by Greenex A/S (a subsidiary of Cominco Ltd.) until 1986, when Boliden AB acquired the mine. Black Angel closed in 1990 when the orebody was exhausted.

The mines at both Maarmorilik and Ivittuut were highly profitable, and contributed significant benefits to the local community.

Home Rule System

Greenland, along with the Faroe Islands, is part of the Kingdom of Denmark, and is represented in the Danish Parliament by two members. Since 1979, when a Home Rule System was adopted, authority in most fields has gradually been transferred to the Government of Greenland. Denmark supports Greenland through annual grants, and remains responsible for matters such as foreign affairs, defence and judicial affairs. The local currency is the Danish kroner.

With respect to mineral resources, a system based on co-operation between the Danish and Greenland Governments was also developed in 1979. All land is held by the Crown, with no land being privately owned, which simplified the mineral resources legislation. Licensing and regulations are administered by the Mineral Resources Administration for Greenland (MRA), which is part of the Danish Ministry for Environment and Energy.

The rules set out by the Greenland Home Rule and the Danish government represent an effective corporate tax rate of 35% with no royalties or production fees of any sort and companies choose the rate of asset write-down.

Climate & Topography

At sea level, temperatures in the south (60-62°N) typically range between -20°C to +20°C, with an annual average of around +1.5°C. Around half of the south's annual precipitation, of about 900 mm, falls as rain between May to October. Due to an offshoot from the Gulf current, the climate in the southeast is wetter and warmer.

The wide-open landscape and sparse vegetation offers good conditions for orientation and also enables large areas to be covered by airborne surveys whether in gently undulating, alpine or plateau regions. During the winter, snow cover, frozen ground and the 1-2m of ice cover on lakes, provide the basic conditions for transportation and drilling operations.

Ongoing Exploration

Over the past three years, mineral exploration has increased significantly as a result of higher international awareness of the country's mineral potential. In 1995, seven companies conducted field activities under 45 exclusive licences, which covered more than 28,000 km². In recent years, exploration has been directed towards gold, pgms, diamonds, base metals, iron-ore and industrial minerals.

Together with the ongoing, publicly financed, geological and geophysical surveys, this level of activity illustrates the diversity of exploration in Greenland today.

SOFTROCK PROPERTY GEOLOGY

Geochemistry and Mineral Potential

Qaqortoq Licence:

The most comprehensive geologic study of this area was done by Greg Mosher, Geological Survey of Greenland, Open File Series 95/3, March 1995.

The Qaqortoq area is largely underlain by granite belonging to the Ketilidian Mobile Belt, with subordinate bands of metasedimentary and metavolcanic gneiss. All these rocks are cut by dykes, sills, and irregularly-shaped intrusive bodies of basic to intermediate rocks that include hornblende-peridotite and are collectively termed appinites. Superimposed upon the Ketilidian rocks are the sedimentary, volcanic, and intrusive rocks of the Gardar Province.

Sub-area Four, closer to the airport at Narssarsuaq, covers sandstone, carbonatite of the Eriksfjord Formation, and a gabbro intrusion that belongs to the Gardar suite.

Based on the Nain Province analogy, these rocks could be prospective for copper and nickel mineralization similar to the Voisey Bay deposit which is comprised of massive sulphides,

primarily pyrrhotite, with contained copper and nickel. This sulphide mineralization is hosted by a troctolitic dike that cuts plutons of a variety of compositions including anorthosite, diorite and granite. In addition, this sub-area covers a number of ultramafic lamprophyre intrusives which are permissive hosts for diamonds and therefore the potential for the occurrence of diamonds may exist within this sub-area as well.

Although sub-area One is almost entirely underlain by granite, stream-sediment geochemical surveys conducted by the GGU in this area have indicated the presence of a large arsenic anomaly as well as several gold anomalies. The thematic map for arsenic indicates that values in this area range from 15 to 48 parts per million arsenic which fall within the top ten percent of all arsenic values within the entire survey area. Stream sediment gold values are about 20 to 40 parts per billion in a sample population with a mean of four parts per billion (2,240 samples).

The source of these anomalies is not known and so a potential deposit type cannot be presumed, but their presence is of obvious exploration interest.

Lindenow Licence

The most comprehensive study of this area was done by Cees Swager et al, Geological Survey of Greenland, Open File Series 95/6, August 1995.

The southeast coast of Greenland is underlain by metasedimentary gneisses that belong to the Folded Migmatite Zone and have been broadly subdivided into quartzofeldspathic and pelitic varieties. These are cut by granites and amphibolitic rocks of presumed volcanic origin.

Swager et al, 1995, discuss the occurrence of sulphides in these rocks in terms of strata bound graphite-iron sulphide-chemical sediment-amphibolite associations within pelitic black shale and metalliferous black shale. The distinction may be one of degree of metamorphism, in any case, both are consistent with a sedimentary-exhalative origin, a class of deposit which contains some of the largest base metal deposits in the world. Sedimentary-exhalative deposits are typically comprised of massive and bedded sulphides with contained lead, zinc, and copper mineralization. Silver can also be a significant constituent; gold is not normally present in economic quantities. This type of deposit constitutes the most significant exploration target within the Lindenow licence areas.

Stream sediment and heavy mineral geochemical surveys conducted by the Geological Survey of Greenland have detected the presence of anomalous concentrations of gold, tungsten, and arsenic within and adjacent to the Lindenow Licence areas.

Nunaol A/S, owned by the Danish and Greenland Governments, outlined four areas of primary gold mineralization north and north-east of the town of Nanortalik. Of these, the Kirkespirdalen deposits are of the greatest immediate significance.

An 800 m long outcrop of gold-bearing quartz veins has returned average grades of 50 g/t gold over 0.5m. Chip samples returned grades of up to 235 g/t over 1 m, but results of drilling conducted in 1993 and 1995 have not yet been released. The gold-bearing quartz veins are hosted in fine to medium grained mafic metavolcanics.

The Nunaoil gold discovery is named Nalunaq and is located about 30 miles southwest and on strike with Lindenow.

Along the north shore of Danell Fjord in Lindenow, a stream sediment sample contained 1,100 parts per million (ppm) arsenic and 253 parts per billion gold. A separate stream sediment sample collected along the north shore of the fjord further to the east contained 1,254 ppm copper. A stream sediment sample from the south shore of the fjord contained 1,400 ppm arsenic. Numerical data is taken from Swager et al, 1995.

The area around Lindenow Fjord itself contains gold and tungsten anomalies, and south of the fjord is a broad arsenic anomaly.

Swager et al (1995) also describe a location on the north shore of inner Lindenow Fjord east of a valley named Stendalen. Here, sulphidic, graphitic schist forms prominent gossans that contain up to 49 ppb gold, 1,373 ppm copper, 800 ppm zinc, and 540 ppm nickel. Again, the abundance of sulphide mineralization is not quantified. Further east along the north shore of Lindenow Fjord, stream sediment samples contain up to 44 ppb gold and 200 ppm arsenic.

DISCUSSION

Neither the Qaqortoq nor the Lindenow licence areas can be considered to have been extensively studied by the GGU, nor to have been explored to a significant level in the past by mining or exploration companies. However, on the basis of the present level of knowledge concerning their geology and geochemistry, it is considered reasonable that these licence areas may contain economic concentrations of sulphides.

Within the Qaqortoq licence areas, copper-nickel mineralization hosted by mafic to ultramafic rocks (Voisey's Bay-type) is considered the most attractive exploration target. This type of mineralization is comprised of massive and disseminated, sulphides and as such constitutes an excellent target for either airborne or ground electromagnetic geophysical techniques.

On the basis of geochemical anomalies, the other possible deposit type within the Qaqortoq licence areas is considered to be gold-arsenic mineralization, although its response to geophysical surveying cannot be estimated because the nature of source of the geochemical anomalies is not known.

Within the Lindenow licence areas both the geology and geochemical anomalies suggest the possible existence of

sedimentary-exhalative type mineralization within shale or its metamorphic equivalent. This type of mineralization is typically comprised of massive sulphide and therefore would constitute an excellent geophysical target for electromagnetic surveying. However, within this environment must also be recognized that graphite is probably common and will also respond to electromagnetic surveying.

In any case, geophysical surveying can be expected to generate anomalies in both licence areas, and it will be necessary to evaluate these anomalies by ground examination.

Planned 1996 Program and Budget

The proposed exploration program for both licences areas for 1996 consists of airborne geophysical surveys (magnetic and electromagnetic) followed by ground geological and geophysical surveys where anomalous results are obtained by the airborne surveys. Airborne geophysical surveying is an established method of exploring for massive sulphide mineralization and is the most efficient way to evaluate large tracts of ground as represented by the Softrock licence areas.

Geological follow-up is planned, although in the case of the Lindenow Licence areas, previous field work by the GGU (Swager et al 1995) has resulted in the discovery of bedrock mineralization and more field work in this area by the GGU in 1996 will expand upon this data base. Any discoveries of mineralization made by the GGU within a licence area are made known to the holder of that licence area.

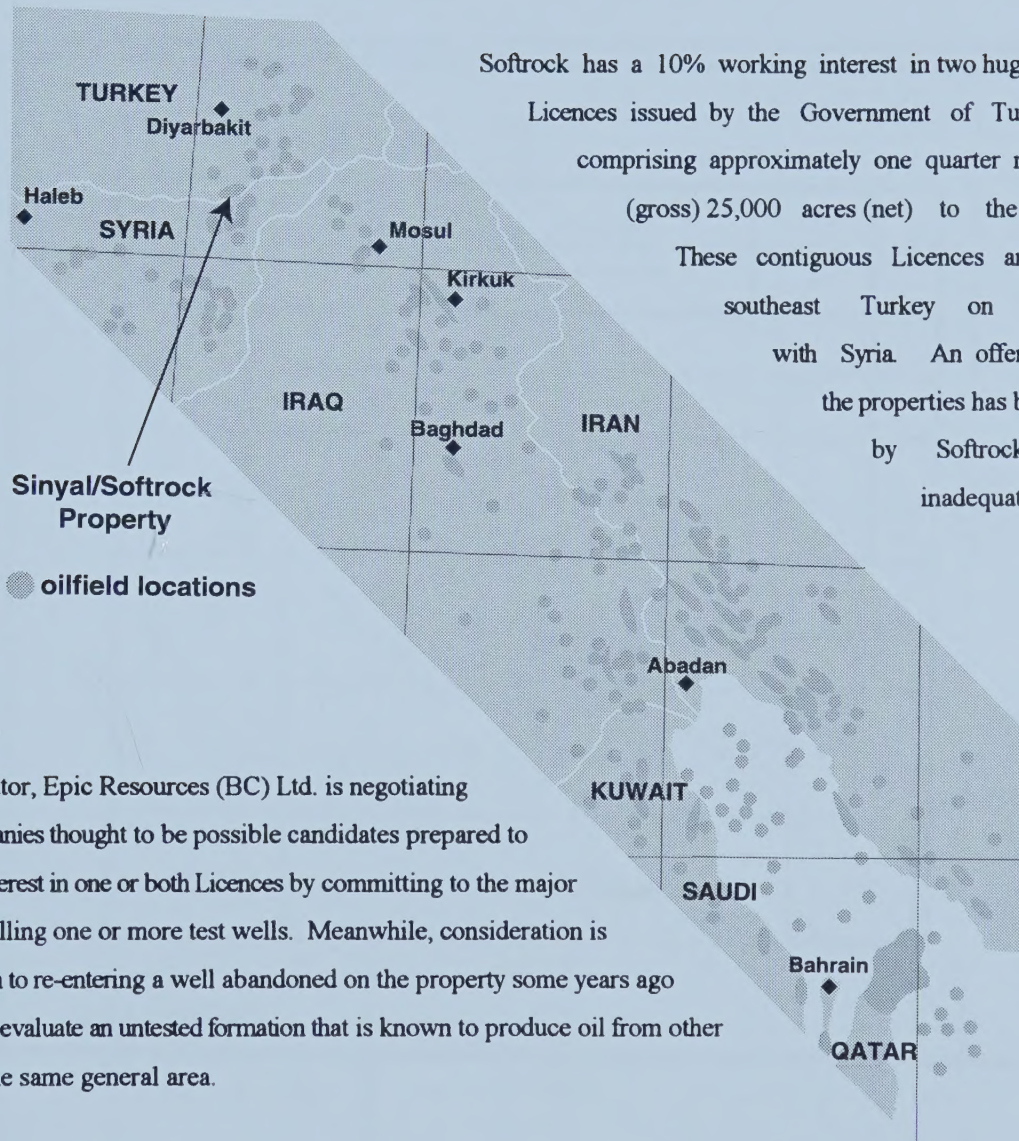
The planned budget is not large enough to permit the coverage of the entire licence areas by airborne geophysics, therefore selectivity of areas, based upon assumed geological potential, is necessary. Further savings through reduced mobilization costs will be realized by integrating the use of the Greenland Geological Survey helicopter.

Within the Qaqortoq Licence sub-areas 1 and 4 will be flown because they are considered to have higher geological potential than sub-areas 2 and 3. Sub-area 1 is underlain by a large geochemical anomaly, and sub-area 4 is underlain by rocks of the Gardar Province. These two sub-areas represent about 64 percent of the total Licence area, and can be covered with about 1,250 line-kilometers of flying.

Within the Lindenow Licence, two areas, amounting to about 25 percent of the total area, will be covered by about 2,000 kilometers of airborne surveying. These areas cover the gossans and sulphide mineralization located by the Greenland Geological Survey (Swager et al, 1995).

As mentioned, the minimum expenditure required to satisfy licence commitments for 1995 and 1996 is US \$368,000. The planned budget for the 1996 program is US \$373,000 (minimum) US \$583,000 (maximum).

Turkey



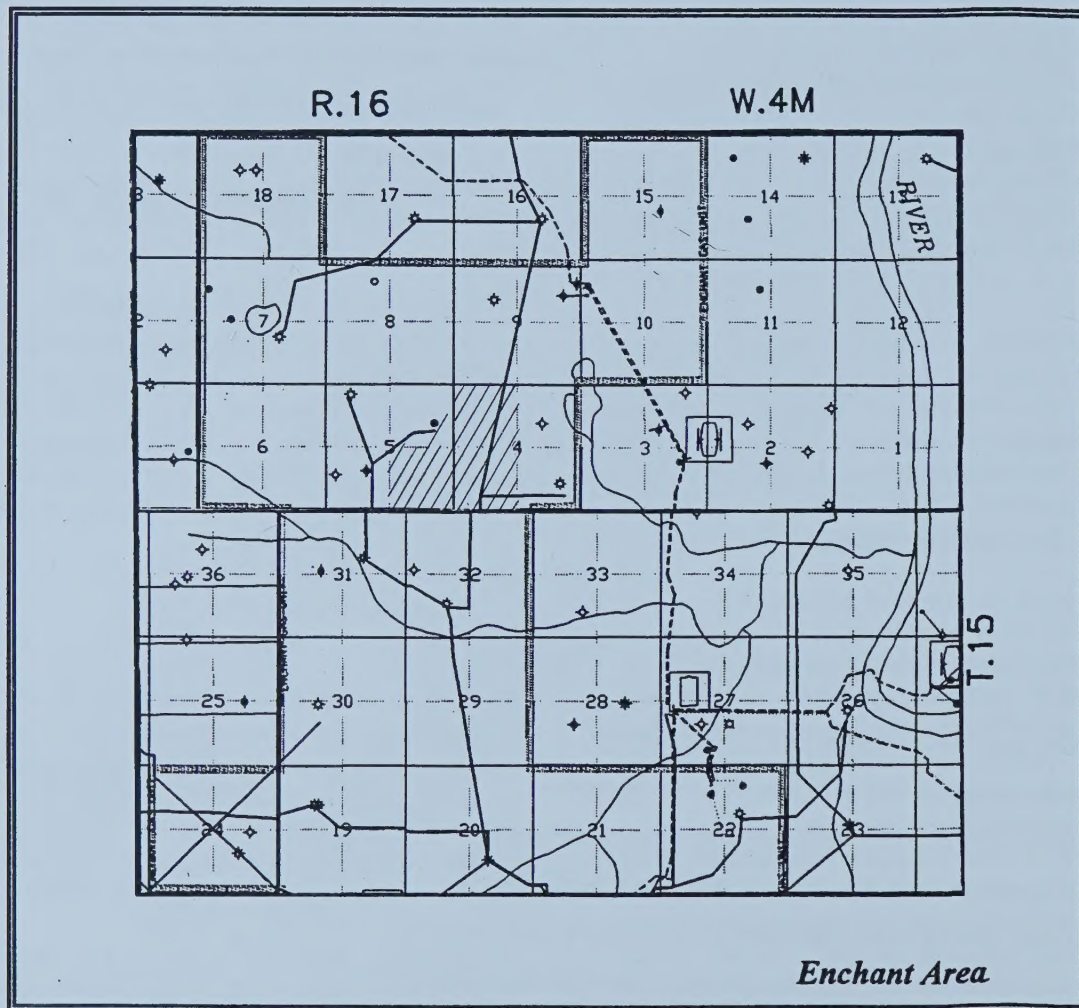
Softrock has a 10% working interest in two huge Exploration Licences issued by the Government of Turkey together comprising approximately one quarter million acres (gross) 25,000 acres (net) to the Corporation. These contiguous Licences are located in southeast Turkey on the Border with Syria. An offer to option the properties has been declined by Softrock as being inadequate.

The Operator, Epic Resources (BC) Ltd. is negotiating with companies thought to be possible candidates prepared to earn an interest in one or both Licences by committing to the major cost of drilling one or more test wells. Meanwhile, consideration is being given to re-entering a well abandoned on the property some years ago in order to evaluate an untested formation that is known to produce oil from other wells in the same general area.

Enchant Area, Alberta

SoftRock petroleum and natural gas leases within the Nisku Arcs oil trend comprise a total of 800 acres (gross) 112 acres (net). The west half section 1 located within township 15 range 16 west fourth meridian, includes *SoftRock* (10%), Apache (50%) and Fort Point (40%). A well drilled by Cimarron

Petroleum in legal subdivision 1 of the adjoining section 2 is producing gas at rates to 1 mmcf/day. A development well is planned for section 1 which will necessitate a pooling of land with PanCanadian Petroleum Ltd., title holders of the east half of section 1.



Existing geophysical trade data has been inspected covering the west half section 4 and southeast quarter section 5. This land is owned by *SoftRock* (20%) and Fort Point (80%). The seismic data is generally good. *SoftRock* and Fort Point are planning to

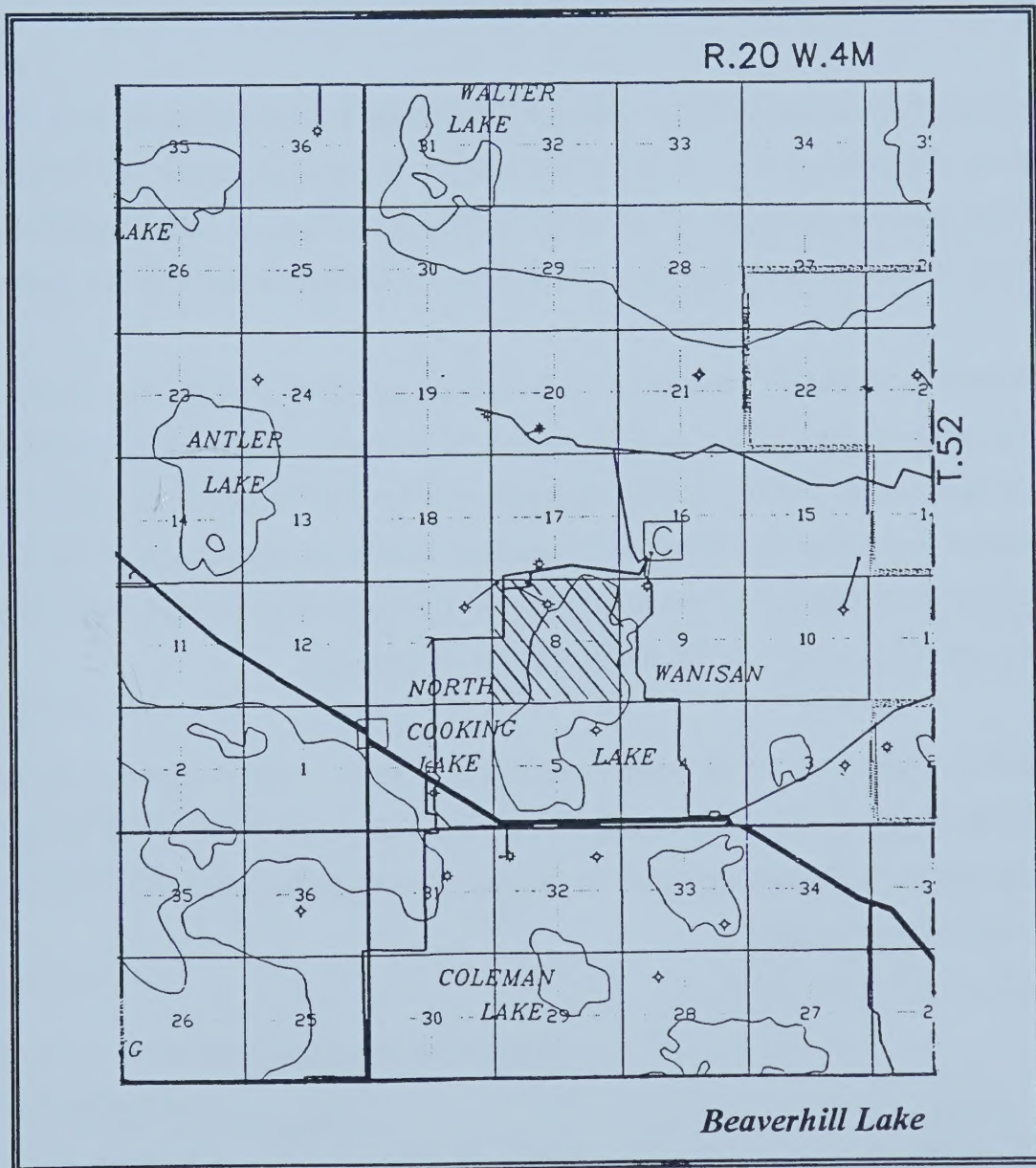
purchase data to help define key drilling anomalies on the leases. Primary prospects are for oil in the Nisku (Arcs) formation and a secondary target is for Mississippian oil.

Production - Oil and Gas

Beaverhill Lake, Alberta... (new)

SoftRock participated to the extent of 5.78% in the BHL 14-8-52-20-W4 Ellerslie Formation gas well at Beaverhill Lake, Alberta, southeast of Edmonton. *SoftRock* and partners pooled lands with Archer Resources to directionally drill under Wanisan Lake.

Drill stem tests were very good, indicating an absolute open flow potential of 14.95 mmcf/d. The well was completed and tied into production facilities in July 1995 and is producing at a rate of 2 mmcf/d.



Forestburg Area, Enchant Area, Chigwell Area, Alberta

SoftRock has cash flow generated by production acquired by the Corporation in 1993. Glauconitic Formation gas is produced

from one well at Forestburg, Alberta; Nisku oil from three wells at Enchant and Viking oil from one well at Chigwell.

**Deloitte &
Touche****AUDITORS' REPORT****Chartered Accountants**

2400 Scotia Centre
700 - 2nd Street S.W.
Calgary, Alberta T2P 0S7

Telephone: (403) 267-1700
Fax: (403) 264-2871

To the Shareholders of **Softrock Petroleum Ltd.:**

We have audited the balance sheets of **Softrock Petroleum Ltd.** as at December 31, 1995 and 1994 and the statements of loss and deficit and changes in financial position for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1995 and 1994 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Calgary, Alberta
January 17, 1996

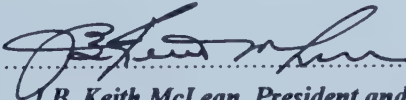
Chartered Accountants

SOFTROCK PETROLEUMS LTD.

Statements of Loss and Deficit*For the years ended December 31, 1995 and 1994*

	1995 \$	1994 \$
Revenue		
Oil and gas	97,498	121,940
Royalties	(8,530)	(11,313)
Interest	-	1,116
	<u>88,968</u>	<u>111,743</u>
Expenses		
Oil and gas operating	43,085	65,093
General and administrative (Note 5)	74,824	68,395
Site restoration	1,115	500
Depletion and depreciation	212,289	92,336
	<u>331,313</u>	<u>226,324</u>
NET LOSS	242,345	114,581
Deficit, beginning of year	120,632	6,051
Deficit, end of year	<u>362,977</u>	<u>120,632</u>
 Loss per share	 <u>\$.036</u>	 <u>\$.017</u>

APPROVED BY THE BOARD OF DIRECTORS:

Per: 
J.B. Keith McLean, President and C.E.O.

Per: 
Denis E. Gagnon, Secretary and C.F.O.

SOFTROCK PETROLEUMS LTD.

Balance Sheets*As at December 31, 1995 and 1994*

	1995 \$	1994 \$
ASSETS		
Current Assets		
Cash	15,775	15,775
Accounts receivable	17,029	14,013
	32,804	29,788
Property and equipment (Note 3)	362,642	538,322
	395,446	568,110
LIABILITIES		
Current Liabilities		
Accounts payable	16,653	17,642
Provision for site restoration	2,115	1,000
	18,768	18,642
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	739,655	670,100
Deficit	(362,977)	(120,632)
	376,678	549,468
	395,446	568,110

SOFTROCK PETROLEUMS LTD.

Statements of Changes in Financial Position*For the years ended December 31, 1995 and 1994*

	1995 \$	1994 \$
Net inflow (outflow) of cash related to the following activities:		
Operating		
Net loss	(242,345)	(114,581)
Items not affecting cash		
Depletion and depreciation	212,289	92,336
Site restoration	1,115	500
	(28,941)	(21,745)
Changes in non-cash working capital items	(4,005)	(18,831)
	(32,946)	(40,576)
Financing		
Issuance of share capital, net of issue costs	69,555	9,000
Investing		
Property and equipment	(36,609)	(229,599)
NET CASH OUTFLOW	-	(261,175)
Cash position, beginning of year	15,775	276,950
Cash position, end of year	15,775	15,775

SOFTROCK PETROLEUMS LTD.

Notes to the Financial Statements

December 31, 1995 and 1994

Note 1.

INCORPORATION

Softrock Petroleum Ltd. was incorporated as 564016 Alberta Inc. by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act of Alberta on April 26, 1993. The name of the Corporation was changed to Softrock Petroleum Ltd. (the "Corporation") by Certificate of Amendment dated July 28, 1993. The Corporation purchased 100% of the shares of Petromax Resources Inc. ("Petromax") on October 20, 1993 through the issuance of 2,540,000 shares. On December 29, 1993 the Corporation amalgamated with Petromax.

Note 2.

SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles, and reflect the following policies:

Petroleum and Natural Gas Properties

Capitalized Costs

The Corporation follows the full cost method of accounting for oil and gas activities whereby all costs associated with the acquisition, exploration and development of oil and gas reserves are capitalized. Such costs include those related to lease acquisitions, geological and geophysical activities, lease rentals on unproved properties, the costs of drilling both productive and non-productive wells, and that portion of administrative expenses applicable to those activities. Capitalized costs also include organization costs totalling \$51,225 related to completing the Corporation's "Major Transaction".

Proceeds from the disposal of properties are normally applied as a reduction of the costs unless a significant disposal occurs, in which case a gain or loss is recorded.

Depletion and Depreciation

Depletion of oil and gas properties and depreciation of production equipment is provided using the unit of production method based on estimated proved oil and gas reserves as determined by independent reservoir engineers. The relative volumes of oil and gas reserves and production are converted to a common unit on the basis of relative energy content.

Ceiling Test

The Corporation applies an annual ceiling test to capitalized costs to ensure that such costs do not exceed the estimated value of future net revenues from the production of proved oil and gas reserves calculated at year end prices, less future development costs and administrative, financing, site restoration and abandonment, and income tax expenses. Any reduction in value as a result of the ceiling test is normally charged to operations.

Future Site Restoration

The estimated cost of site restoration is based on the current costs of the anticipated method and extent of site restoration in accordance with existing legislation and industry practice. The total future liability is estimated to be \$16,700. The annual charge, net of actual expenditures, is provided for on a unit of production basis with the accumulated provision shown as a deferred credit.

Mineral Leases

The costs related to the acquisition, exploration and development of mineral leases are capitalized on a project by project basis. If a project is abandoned or impairment occurs, the related costs are charged to operations. When a project commences commercial production, the associated costs will be amortized using the unit-of-production method.

Note 3.

PROPERTY AND EQUIPMENT

	Cost	Accumulated Depletion and Depreciation	1995 Net Book Value	1994 Net Book Value
	\$	\$	\$	\$
Petroleum and natural gas properties	653,931	316,490	337,441	538,322
Mineral leases	25,201	-	25,201	-
	<u>679,132</u>	<u>316,490</u>	<u>362,642</u>	<u>538,322</u>

- (a) In accordance with the Corporation's full-cost accounting method, general and administrative expenses of Nil (1994-Nil), relating to exploration and development of oil and gas properties, have been capitalized.
- (b) Costs of unproved petroleum and natural gas properties amounting to \$20,788 in 1995 and Nil in 1994 have been excluded from the depletion calculation.
- (c) As a result of the application of the ceiling test, an additional provision of \$150,000 has been included in the provision for depletion and depreciation.
- (d) At December 31, 1995, assets totalling approximately \$290,000 were without a tax basis.

Note 4.

SHARE CAPITAL*Authorized*

Unlimited number of common shares without nominal or par value
 Unlimited number of first preferred shares
 Unlimited number of second preferred shares

The first and second preferred shares may be issued in one or more series, and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series.

Issued

	1995		1994	
	Number of Common Shares	Amount \$	Number of Common Shares	Amount \$
Balance, January 1	6,520,000	670,100	6,430,000	661,100
Options exercised (b)	590,334	69,555	90,000	9,000
Balance, December 31	7,110,334	739,655	6,520,000	670,100

- (a) As at December 31, 1995, 1,513,334 common shares remain in escrow. These common shares are scheduled to be released from escrow in 1996.

(b) **Stock Option Plan**

The Corporation has established a stock option plan for the benefit of directors, officers, key employees and consultants of the Corporation. On July 8, 1993, options were granted for an aggregate of 380,000 common shares at a price of \$0.10 per share until July 8, 1998. These options were all exercised in 1995.

On July 4, 1995, options were granted for an aggregate of 552,000 common shares at a price of \$0.15 per share until July 4, 2000. In 1995, 210,334 of these options were exercised.

Note. 5

GENERAL AND ADMINISTRATIVE

	1995 \$	1994 \$
Accounting and audit	12,380	22,741
Consulting	865	3,540
Legal	1,884	7,188
Office	27,858	6,884
Secretarial services	24,385	17,703
Stock exchange and transfer agents	7,452	10,339
	<u>74,824</u>	<u>68,395</u>

Note 6.

COMMITMENTS

- (a) The Corporation is committed to the following estimated annual lease payments for its office premises until expiry of the lease on January 30, 1998:

	\$
1996	5,578
1997	5,578
1998	465

- (b) The Corporation is committed to the following minimum required expenditures to maintain the mineral leases in good standing:

	U.S. \$
1996	368,786
1997	269,677
1998	170,568
1999	170,568

Management

The following is a brief description of key management of the Corporation:

J.B. KEITH McLEAN, P. Land

Mr. McLean has been an independent land consultant for the past 42 years and is a member of the Canadian Association of Petroleum Landmen (CAPL). He is the founder and president of McLean Oil & Gas Limited, a petroleum land consulting firm also involved in the exploration and development of oil and gas reserves in Western Canada. He has been involved at various times in most areas of major oil and gas exploration activity in Canada and parts of the USA as well.

E. DENIS GAGNON, P. Geol.

Mr. Gagnon has been a professional geologist and independent oil consultant for the past 36 years and is a member of the Canadian Society of Petroleum Geologists (CSPG), the American Association of Petroleum Geologists (AAPG), and the Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA). His main responsibilities have included supplying detailed technical analysis of hydrocarbon provinces of the Western Canadian Basin for the generation of oil and gas drilling prospects. He is founder and President of Edouard Resources Ltd., an Alberta corporation, with primary interest in finding and developing oil and gas reserves. He has been directly responsible for the discovery of several million barrels of oil in Southern and Northern Alberta and several billion cubic feet of gas in Central Alberta.

NICK TAYLOR, P. Geol.

Mr. Taylor is a professional geologist and member of the American Association of Petroleum Geologists (AAPG) and Liberal member of the Legislative Assembly of Alberta. He was founding President and Manager of Lochiel Exploration Ltd. from 1965 to 1986. Lochiel was a Canadian oil and gas exploration and development company that had operations in 20 countries. Mr. Taylor is currently President of Cariad Exploration Ltd., Northwest Sulphur Ltd. and Citizens Pipeline Ltd.

ARNE R. NIELSEN

Mr. Nielsen is an Honorary Life Member, Canadian Society of Petroleum Geologists (CSPG); Honorary Life Member, Canadian Petroleum Association; Honorary Member American Association of Petroleum Geologists; 1992 Stanley Slipper (gold medal) Award given annually by CSPG to an individual who has made an outstanding contribution to petroleum exploration in Canada. He is currently Chairman of the Board, Serenpet, Inc., a director of several resource and non-resource based companies, twice past Chairman of the Canadian Petroleum Association and past Chairman and CEO of Mobil Oil Canada.

ROBERT P. CURR, P. Geol.

Mr. Curr has 31 years of petroleum exploration experience with a number of large and small companies in all phases of oil and gas development in Western Canada, the Arctic Islands, the North Sea, the Middle East, and Italy. In 1977 he founded Legend Oil and Gas Co. Ltd., a private oil and gas firm engaged in all phases of oil and gas production, property acquisitions, seismic, and drilling operations. Mr. Curr is a director of Epic Resources (B.C) Ltd. and Safari International Resources Ltd. He is a member of the Professional Engineers of Alberta, American Association of Professional Geologists (AAPG), and Canadian Association of Professional Geologists and Geophysicists.



Corporate Information

Officers

J.B. Keith McLean, P.Land,
President and C.E.O.

E. Denis Gagnon, P.Geol
Secretary Treasurer and C.F.O.

Auditor

Deloitte & Touche
2400, 700-2nd Street S.W.
Calgary, Alberta
T2P 0S7

Bankers

Canadian Imperial Bank of Commerce
Bankers Hall, 855-2nd Street S.W.
Calgary, Alberta
T2P 2P2

Head Office

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T2P 1H4
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Toll Free: 1-800-809-3411
Fax: [403] 233-0203

Directors

J.B. Keith McLean, P.Land
E. Denis Gagnon, P.Geol
Robert Curr, P.Geol
Nick Taylor, P.Geol
Arne R. Nielsen

Solicitors

McLeod & Company
800, 11012 Macleod Trail S.
Calgary, Alberta
T2J 6A5

Transfer Agent and Registrar

Montreal Trust
600, 530-8th Avenue S.W.
Calgary, Alberta
T2P 3S8

Stock Exchange

Alberta Stock Exchange
Trading Symbol - STZ



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